



CONSTRUCTION COVENANT TO CONSTRUCT AND ASSURANCE FOR SUBDIVISION INFRASTRUCTURE IMPROVEMENTS



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Why does the City of Scottsdale require construction covenant to construct and assurances?

The City of Scottsdale requires every developer to execute a covenant to construct agreement and provide the City with a financial assurance that the improvements associated with the development, such as street paving, curb and gutter, water lines, and traffic signals will be properly installed. The covenant to construct defines the improvements and the standards to which they are to be constructed while the financial assurances protect the City by providing the City with the money to finish the improvements, if for some reason the developer does not do so.

The city must require the assurances under the requirements of Arizona Revised Statutes section 9-463.01(c)(8).

Every developer, from the largest projects and most experienced developer to the smallest projects and least experienced developer, is required to provide a covenant to construct and financial assurance. The City's requirements are in Scottsdale Revised Code (SRC) Chapter 48, Article III.

When does the covenant to construct and assurance need to be submitted?

Following Design Review Board (DRB) approval of your preliminary plat, staff will remind you, with their first improvement plan review comments, that at the time of second submittal a draft covenant to construct and financial assurance must be submitted.

The actual assurance does not have to be issued at this point; the draft is submitted in order to verify that you are using one of the City's approved templates. All assurances submitted in formats other than the approved templates contained in this booklet are subject to review by the City Attorney and may not be accepted. We strive to get the assurance language approved early in the process to minimize the chances of the assurance holding up the final plat from being recorded after all other reviews are completed.

What types of assurances are accepted?

The City's Ordinance (SRC Section 48-102) requires the owner to enter into an agreement, covenant to construct, as part of the assurance process, and allows the City to accept three types of financial assurances: subdivision performance bonds, letters of credit or cash.

For your convenience, the currently approved templates for the covenant to construct,



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for the subdivision performance bond, and for the irrevocable letter of credit are included at the end of this document. The time to review the assurance instrument will be reduced significantly if you use the format and language contained in these City-approved templates. If you have done work in the City in the past, it is possible that a different template was used, but that does not necessarily mean it will be approved this time. All assurances submitted in formats other than the approved templates contained in this booklet are subject to review by the City Attorney and may not be accepted.

What happens to the covenant to construct and assurance if the development is sold?

Regardless of ownership, the City requires a covenant to construct and an assurance to be in place for the public improvements associated with a development. If ownership of a project changes, the City will not release the current owner's obligations until a new covenant to construct and financial assurance is received from the new owner and approved by the City.

What if my project is phased?

In instances where a project is phased but submitted as one plat, the City requires assurance for the improvements associated with all phases of the project. Following completion and acceptance of the improvements associated with each phase, the developer may request to lower the assurance by the amount associated with the accepted phase improvements. Alternatively, separate assurances could be submitted for the improvements associated with each phase and, as the improvements are completed and accepted, the City would release the individual phase assurances.

What is the process for accepting improvements and releasing the assurance?

At the developer's request, the City will complete the final inspection of improvements. Prior to staff taking the final acceptance of improvements to the City for approval, the work must have passed final inspection, Mylar as-built plans along with a compact disc (CD) in PDF format of the as-built drawings must be submitted to the City, and the City must have a financial assurance in place for 10 percent of the total cost of the improvements. The 10 percent financial assurance must be in place for a period of one (1) year from the date of final acceptance of the improvements.

This assurance, held during the one year warranty period, may result from the reduction of the existing subdivision performance bond, irrevocable letter of credit, or cash assurance previously paid, or the developer may submit a new warranty bond,



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irrevocable letter of credit, or cash solely for the warranty purpose.

After the work has passed final inspection, the City has received the Mylar set and CD of the as-builts, and the 10 percent assurance is in place, staff will make a recommendation to the Development Engineering Manager to approve the final acceptance of improvements. If the developer opted to submit a new warranty bond, irrevocable letter of credit or cash, the City will release the initial assurance provided for construction after the City approves the final acceptance of improvements.

During the one year warranty period, the developer is responsible for repair work for any of the public improvements. City staff will periodically inspect the public improvements and will notify the developer of the necessary repair work. The developer is responsible for having the repair work completed prior to the end of the warranty period. Upon successful completion of the warranty period and successful repair of any necessary warranty items, the remainder of the assurances retained by the City will be released.



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COVENANT TO CONSTRUCT TEMPLATE

Instructions

1. The following 18 pages contain the approved Agreement template required as a part of the financial assurances process.
2. Complete a draft Agreement as soon as possible so that City staff may review the Project's insurance requirements with the City's Risk Management Department.
3. Submit a title report with the Covenant to Construct so that staff may verify all Owners, Lienholders, and other persons having an interest in the property. The title report must be updated as of the date of the Agreement.
4. Throughout the document you will see blanks for the Owner(s) name and legal status. All Owners must be included. If there is a Developer separate from the Owner(s), the Developer should be included as a party also.
5. Insert the approval date and case number in Recital B.
6. Have the infrastructure improvement plans approved before finalizing the Agreement, then include the information in Recital D.
7. The amount in Recital F should be the amount of the Engineer's Estimate for completion of the infrastructure improvements.
8. Establish the completion date with City staff, and insert into section 4.1.
9. A formal, engineered legal description of the Property must be attached as Exhibit A.
10. **All** Owners must sign the Agreement, and all lienholders and other persons or entities having an interest in the Property must sign a notarized consent form. A template for this consent is attached here as Exhibit B. Make a copy of the lienholder exhibit for each lender or other person or entity having an interest in the Property. If there are none, do not discard the lienholder exhibit. Just write the word "none" by hand on the signature line of the lienholder exhibit. The blank sample lienholder exhibit continues to be part of the document.
11. The Notice of Warranty Period is informational only. It will be used only after all of the initial work has been properly completed.

WHEN RECORDED, RETURN TO:

CITY OF SCOTTSDALE

ONE STOP SHOP/RECORDS

(ATTN: _____)

7447 E. Indian School Road, Suite 100

Scottsdale, AZ 85251

Project name: _____

Plan check number: _____

Case number: _____

**INFRASTRUCTURE IMPROVEMENTS
COVENANT TO CONSTRUCT**

THIS INFRASTRUCTURE IMPROVEMENTS COVENANT TO CONSTRUCT (the "Covenant") is made and entered into _____, 20____ by _____, LLC, a _____, an Arizona limited liability company, ("Owner") in favor of the City of Scottsdale, an Arizona municipal corporation ("City").

RECITALS

A. Owner owns certain real property (the "Property") described on **Exhibit "A"** attached hereto.

B. Owner has requested the following City approvals (collectively the "Land Approvals") in connection with the development of the Property:

Approval Date

Case Number

C. As a condition to City's approval of the Land Approvals, Owner is obligated to construct certain improvements (the "Infrastructure Improvements") as required by A.R.S. §9-463.01, S.R.C. §48-7(g), S.R.C. §48-101, and other applicable laws, rules and policies and to perform certain other obligations (collectively the "Work"). The Infrastructure Improvements include, without limitation, all labor, materials, permits, inspecting, financing, design, engineering, and all other costs and expenses of any description in connection with constructing the

Infrastructure Improvements (collectively the "Construction Work"). In addition to the Construction Work, after Owner completes the Construction Work, Owner shall perform certain additional work (the "Warranty Work"). The Work includes all of the Construction Work and all of the Warranty Work.

D. The Infrastructure Improvements are shown upon the plans and specifications therefor sealed by _____, titled _____, and dated _____, 20____ (the "Approved Plans").

E. City would not approve the Land Approvals without this Covenant. Owner gives this Covenant for the purpose of inducing City to approve the Land Approvals.

F. Owner and City estimate that the cost of the Work will be _____ Dollars (\$_____) (the "Estimated Cost").

NOW, THEREFORE, in consideration of the approval of the Land Approvals and in order to induce City to approve the Land Approvals in reliance on this Covenant and insure that Owner satisfactorily performs the Work, Owner covenants in favor of City as follows:

1. Performance of Work. Owner shall design and construct the Public Improvements and shall perform the rest of the Work at Owner's expense, in a good and workmanlike manner, to City's satisfaction in accordance with the Approved Plans, subject only to changes approved by City or that are required or ordered by City that in City's opinion are necessary or required to complete the Work.
2. Plans Approved. City approves the design of the Infrastructure Improvements to the extent set forth in the Approved Plans. Owner shall obtain City's approval for all changes to the Approved Plans and for all matters not clearly shown on the Approved Plans.
3. Work Standards. Owner shall perform all Work in accordance with the provisions of City's Design Standards and Policies Manual, the standards and specifications of the Maricopa Association of Governments, and all other applicable permits, laws, regulations, standards and requirements (collectively the "Standards").
4. Completion Deadline. Owner shall complete the Infrastructure Improvements according to the following schedule:
 - 4.1 Owner shall complete the Infrastructure Improvements no later than the date (the

“Deadline”) _____ (____) months after the date of this Covenant. No extensions of the Deadline in excess of one hundred eighty (180) days total are effective unless granted by City’s director of Planning and Development Services, or designee, in his or her sole and absolute discretion.

4.2 Owner shall allow adequate time to complete the Construction Work before the Deadline despite design, construction, inspection and other delays.

4.3 The Construction Work shall not be deemed complete until construction has completely concluded and City has inspected the completed Infrastructure Improvements and issued a written notice of City’s determination that the Construction Work has been properly completed and the warranty period has started. Such notice shall not be recorded. Owner shall not request a final inspection of the Infrastructure Improvements until Owner has paid for the Construction Work.

5. Warranty Period and Covenant Termination. If, within a period of one (1) year after completion, any Construction Work fails to fulfill any of the requirements of this Covenant, Owner, without delay and at Owner’s expense, shall perform the Warranty Work. Without limitation, Owner shall repair, replace or reconstruct any defective or otherwise unsatisfactory part or parts of the Construction Work and Warranty Work. The Warranty Work shall not be deemed complete until the warranty period has expired, all matters arising prior to the end of the warranty period have been resolved, and City has issued a written notice of City’s determination that the Work has been properly completed. Such notice shall state that this Covenant is released and that release of this Covenant does not terminate whatever obligations Owner might have had to City with respect to the Work under normal City processes if Owner had performed the Work without entering into this Covenant. Owner shall record such notice.

6. Permits and Laws. Owner, at Owner’s expense, shall obtain all necessary permits and licenses for the Work, pay all fees and taxes, and otherwise comply with the Standards. This Covenant does not grant Owner permission to work on City right-of-way or other land.

7. Assurance. Upon execution of this Covenant and until the Work is completed, Owner shall furnish to City at Owner’s expense an assurance (the “Assurance”) as follows:

7.1 The amount of the Assurance shall be the Estimated Cost. The Estimated Cost shall include an amount of ten percent (10%) of the Cost for the Construction Work to assure the Warranty Work. City shall have the right to require Owner’s engineer to provide revised Estimated Cost calculations during the Work. The revised Estimated Cost calculations shall be subject to City approval. Owner shall furnish revised Assurances in the amount of the revised Estimated Cost.

7.2 The Assurance shall be in the form of cash, a letter of credit, or a bond provided by an issuer satisfactory to City, or in such other form as may be provided for by City ordinance or policies, and shall comply with applicable city standards, policies and procedures.

7.3 The Assurance shall contain provisions and be in a form approved by City's city attorney.

7.4 Owner shall not have power to interfere in any way with City's obtaining or using the funds or other benefits of the Assurance.

8. Insurance Responsibility. Until the Work is completed, Owner shall insure the Property, the Work and Work related property, activities and conditions at and about the Property and shall provide insurance and indemnification as follows:

8.1 Insurance Required. Prior to commencing construction, and at all times thereafter, Owner shall obtain and cause to be in force and effect the following insurance:

8.1.1 Commercial General Liability. Unless the City specifically waives or reduces the coverage in writing, commercial general liability insurance with a limit of (\$1,000,000) for each occurrence, a limit of One Million Dollars (\$1,000,000) for products and completed operations annual aggregate, and a limit of Two Million Dollars (\$2,000,000) general aggregate limit per policy year. The policy shall cover liability arising from premises, operations, independent contractors, products, completed operations, personal injury, bodily injury, advertising injury, and liability assumed under an "insured contract" including this Covenant. The policy shall cover Owner's liability under the indemnity provisions of this Covenant. The policy shall contain a "separation of insureds" clause. The products and completed operations coverage shall be continued for three years following the completion of the Work

8.1.2 Automobile Liability. Unless the City specifically waives or reduces the coverage in writing, automobile liability insurance with a combined single limit of One Million Dollars (\$1,000,000) for each occurrence covering any and all owned, hired, and non-owned vehicles assigned to or used in any way in connection with Owner's use of the Property. Without limitation, such insurance shall cover hazards of motor vehicle use for loading and unloading.

8.1.3 Workers' Compensation. Such workers' compensation and similar insurance as is required by law and employer's liability insurance with a minimum limit of One Hundred Thousand Dollars (\$100,000) for each accident, One Hundred Thousand Dollars (\$100,000) disease for each employee, Five Hundred Thousand Dollars (\$500,000) policy limit for disease. If Owner has no employees, then Owner shall provide a "sole proprietor waiver" signed by Owner in form and content acceptable to City. All contractors and subcontractors must provide like

insurance.

8.1.4 Structure Damage. Unless the City specifically waives or reduces the coverage in writing, all risk property insurance covering damage to or destruction of all building and other improvements to the Property, including without limitation, all improvements existing upon the Property prior to this Covenant or hereafter constructed in an amount equal to full replacement cost of all such improvements. Such insurance shall be special causes of loss policy form and include flood insurance if the work is located in a special hazards flood zone A or flood zone X. Coverage shall include pollutant clean up and removal with minimum limits of coverage Fifty Thousand Dollars (\$50,000).

8.1.5 Personal Property. Unless the City specifically waives or reduces the coverage in writing, special causes of loss personal property coverage, as defined by Insurance Services Office, Inc., in an amount per occurrence equal to full replacement cost of all personal property used in connection with the Property.

8.1.6 Builders' Risk and Installation Floater Property Insurance. Unless the City specifically waives or reduces the coverage, builders' risk insurance is as follows:

8.1.6.1 Builder's risk insurance must take effect prior to the commencement of any Work.

8.1.6.2 Builder's risk insurance must continue in effect without interruption until all of the following have occurred, whether or not the covered property is occupied:

8.1.6.2.1 All work is accepted by the City.

8.1.6.2.2 Final payment for the construction work and materials has been made.

8.1.6.2.3 No person or entity other than the owner and the City has an insurable interest in the Premises.

8.1.6.3 The amount of builder's risk insurance shall be the amount of the entire cost of the Work as well as subsequent modifications thereto, and include the costs for scaffolding, false work, and temporary buildings at the site. This insurance must also cover the cost of removing debris, including demolition as may be legally required by operation of any law, ordinance, regulation or code.

8.1.6.4 Builder's risk insurance must be written on a special causes of loss (all-risk) or open perils coverage form and include coverage for flood if any of the Work is performed in a special hazards flood one A or zone X.

8.1.6.5 Builder's risk insurance shall cover property that is being transported

to the construction site or on the construction site awaiting installation.

8.1.6.6 Builder's risk insurance shall be primary and not contributory.

8.1.6.7 Builder's risk insurance shall insure the interests of City, Owner, subcontractors and others involved in any Work during the course of any construction.

8.1.6.8 As between City and Owner, Owner bears full responsibility for loss or damage to all work being performed and to works under construction.

8.1.7 Other Insurance. Any other insurance City may reasonably require for the protection of City and City's employees, officials, representatives, officers, directors, and agents (all of whom, including City, are collectively "Additional Insureds"), the Property, surrounding property, Owner, or the activities carried on or about the Property. Likewise, City may elect by notice to Owner to increase the amount or type of any insurance to account for inflation, changes in risk, or any other factor that City reasonably determines to affect the prudent amount of insurance to be provided.

8.2 Form of All Insurance. All insurance provided by Owner or third parties with respect to the Work, whether required by this Covenant or not, shall meet the following requirements:

8.2.1 "Occurrence" coverage is required. "Claims made" insurance is not permitted.

8.2.2 If Owner uses any excess insurance, then such excess insurance shall be "follow form" equal or broader in coverage than the underlying insurance.

8.2.3 Policies must also cover and insure Owner's activities relating to the business operations and activities conducted away from the Premises.

8.2.4 Owner's insurance shall be primary insurance. Any insurance or self-insurance program of the City will be excess coverage and non-contributory.

8.2.5 Owner must clearly show by providing copies of insurance certificates, formal endorsements or other documentation acceptable to City that all insurance coverage required by this Covenant is provided.

8.2.6 Upon City's request, Owner shall provide to City copies of actual insurance policies, which Owner may redact as to information that does not affect the Property or the Work.

8.2.7 Liability insurance, including workers' compensation, shall waive transfer rights of recovery (subrogation) against City and the other Additional Insureds.

8.2.8 No deductible or self-insurance amount for any policy during any year shall exceed Twenty-Five Thousand Dollars (\$25,000.00) unless Owner provides to City a letter of credit satisfactory to City in the amount of the excess.

8.2.9 City may require Owner from time to time to secure payment of any deductible or self-insured retention by a surety bond or irrevocable and unconditional letter of credit.

8.2.10 All policies shall contain provisions that insurance coverage provided to Owner shall not be affected by errors or omissions or by failure to follow claims reporting procedures.

8.2.11 All policies except workers' compensation shall name the City of Scottsdale, its agents, representatives, officers, directors, officials, and employees as Additional Insured, and the other Additional Insureds as additional insureds. Owner shall cause coverage for Additional Insureds to be incorporated into each insurance policy by endorsement.

8.2.12 All applicable property policies must name the City as a loss payee as respects proceeds relating to the Property and the Work.

8.2.13 All policies must provide City with at least thirty (30) days prior notice of any cancellation, reduction or other change in coverage.

8.2.14 All policies shall require that notices be given to City in the manner specified for notices to City under this Covenant.

8.3 Evidence of Insurance. Owner shall provide evidence of all insurance as follows:

8.3.1 Owner shall provide to City certificates of liability and workers compensation insurance upon execution of this agreement. Certificates of property insurance shall be provided to the City prior to the commencement of any work. Renewal or replacement certificates for all policies shall be received by the City before the expiration of the existing coverage. Owner shall provide certificates at other times at City's request.

8.3.2 Certificates must evidence that the policy described by the certificate is in full force and effect and that the policy satisfies each requirement of this Covenant applicable to the policy. For example, certificates must evidence that Lessor and the other Additional Insureds are additional insureds.

8.3.3 Certificates must be in ACORD form or in an equivalent form acceptable to City.

8.3.4 Each insurance certificate provided to City constitutes a warranty and representation by Owner to City that policies, coverages and other matters are actually in effect as described in the certificate.

8.3.5 Upon City's request, Owner shall provide to City copies of actual insurance policies.

8.4 Acceptable Insurers. All insurance policies shall be issued by insurers acceptable to City. At a minimum, all insurers shall be duly licensed (or qualified unlicensed non-admitted insurers) by the State of Arizona, Department of Insurance. At a minimum, all insurers shall have and maintain an A.M. Best, Inc. rating of B++6 or above, or an equivalent qualified unlicensed insurer by the State of Arizona (non-admitted insurer) with policies and forms satisfactory to City.

8.5 City's Election to Provide Insurance. City is not required to carry any insurance covering or affecting the Property or use of City's property related to this Covenant. If Owner fails to acquire all or any part of the insurance required by this Covenant, then City may elect to provide such insurance (with or without any other real property City may own, or control) and Owner shall pay to City the costs of such insurance as reasonably determined by City. Owner shall provide all required insurance not so provided by City. Any insurance or self-insurance maintained by City shall not contribute to Owner's insurance.

8.6 Insurance Proceeds. All property insurance proceeds (whether actually paid before or after termination of this Covenant) shall be paid directly to City for City's use in compensating City for the loss, protecting City, the Infrastructure Improvements and City's property from every other loss or exposure suffered by City, rebuilding the Infrastructure Improvements, and satisfying and securing Owner's obligations hereunder. Any remaining proceeds shall be allocated among City and Owner as their interests may appear.

8.7 No Representation of Coverage Adequacy. By requiring insurance, City does not represent that coverage or limits will be adequate to protect Owner, City or others. City reserves the right to review any and all of the insurance policies and/or endorsements cited in this Covenant but has no obligation to do so. Failure to demand such evidence of full compliance with the insurance requirements set forth in this Covenant or failure to identify any insurance deficiency shall not relieve Owner from, nor be construed or deemed a waiver of, Owner's obligation to maintain the required insurance at all times during the performance of the Covenant.

8.8 Use of Contractors. If Owner contracts or otherwise delegates any work or use of the Property under this Covenant, Owner shall cause the delegate and any sub-delegatees to execute and provide to City a writing executed by the delegatee containing at least the same indemnification clauses and insurance requirements set forth herein protecting City and Owner, or other insurance requirements approved by City.

8.9 Indemnity. In addition to all other indemnities and other obligations hereunder, to the fullest extent permitted by law, throughout the term of this Covenant and until all obligations and performances under or related to this Covenant are satisfied and all matters described in this

paragraph are completely resolved, Owner (and all other persons using, acting, working or claiming through or for Owner or this Covenant (if they or their subcontractor, employee or other person or entity hired or directed by them participated in causing the claim in question)) shall jointly and severally pay, indemnify, defend and hold harmless City and all other Additional Insureds for, from and against any and all claims or harm related to the Performance of Owner's obligations under this Covenant or arising from the Work (the "Indemnity"). Without limitation, the Indemnity shall include and apply to any and all allegations, demands, judgments, assessments, taxes, impositions, expenses, proceedings, liabilities, obligations, suits, actions, claims (including without limitation claims of personal injury, bodily injury, sickness, disease, death, property damage, destruction, loss of use or other impairment), damages, losses, expenses, penalties, fines or other matters (together with all attorney fees, court costs, and the cost of appellate proceedings) that may arise in any manner out of the Work or any actions, acts, errors, mistakes or omissions relating to the Work or services in the performance of or related to this Covenant, including any injury or damages or cause of action claimed or caused by any employees, contractors, subcontractors, tenants, subtenants, agents or other persons upon or using the Property or surrounding areas related to this Covenant, including without limitation, claims, liability, harm or damages caused in part by City or any other Additional Insured or anyone for whose mistakes, errors, omissions or negligence Owner or City may be liable. As a condition to City's executing this Covenant, Owner specifically agrees that to the extent any provision of this paragraph is not fully enforceable against Owner for any reason whatsoever, this paragraph shall be deemed automatically reformed to the minimal extent necessary to cause it to be enforceable to the fullest extent permitted by law. Notwithstanding the foregoing, the Indemnity does not apply to:

8.9.1 Claims arising only from the sole gross negligence of City.

8.9.2 Claims that the law prohibits from being imposed upon the indemnitor.

8.10 Risk of Loss. Owner assumes the risk of any and all loss, damage or claims to the Property or related to the Work, Owner's use of the Property, Owner or third parties throughout the term hereof. Owner shall be responsible for any and all damage to its property and equipment related to this Covenant.

8.11 Indemnities and Insurance Cumulative. Owner's obligations to indemnify do not diminish in any way Owner's obligations to insure; and Owner's obligations to insure do not diminish in any way Owner's obligations to indemnify. Owner's obligations to indemnify and provide insurance are in addition to, and do not limit, any and all other liabilities or obligations of Owner under or connected with this Covenant. The amount and type of insurance coverage required by

this Covenant will in no way be construed as limiting the scope of the indemnities or other requirements of this Covenant.

8.12 Insurance to be Provided by Others. Any contractors or other persons occupying, working on or about, or using the Property pursuant to this Covenant, must also provide for the protection of City and all other Additional Insureds all of the insurance and indemnification required by applicable city processes and policies for the work they are performing. The preceding sentence does not require such person to provide insurance that merely duplicates insurance Owner provides.

9. Default. Owner shall be in default under this Covenant if any of the following occur (an "Event of Default"):

9.1 Owner refuses or fails to prosecute the Construction Work with such diligence as will insure its completion before the Deadline.

9.2 The Construction Work is not completed before the Deadline.

9.3 Owner refuses or fails to complete any Warranty Work within thirty (30) days after City's demand for such work. If the Warranty Work cannot be completed within thirty (30) days, then the thirty (30) day period shall be extended to a period in which the work can be completed and Owner shall diligently pursue the work to completion.

9.4 Owner allows the required financial assurance to lapse, or any required financial assurance is revoked by its issuer.

9.5 Owner sells or transfers the property without substituting new assurances.

9.6 Owner is insolvent or makes a general assignment for the benefit of Owner's creditors.

9.7 Owner, or any of Owner's contractors, subcontractors, agents, or employees, violates any of the provisions of this Covenant and such violation is not cured within thirty (30) days after notice by City demanding compliance.

10. City's Remedies. Upon the occurrence of any Event of Default, City may, at its option and from time to time, exercise at Owner's expense any combination of the following cumulative remedies in any order and repetitively at City's option:

10.1 Take over all or part of the Work and prosecute the same, by contract or by any other method City may deem advisable.

10.2 Take possession of, and use in pursuing the Work the materials, equipment, plant and other property on the site of or used for the Work.

10.3 Decline to process or issue building permits or other regulatory approvals or

inspections.

10.4 Complete, modify or remove the Infrastructure Improvements in whole or in part.

10.5 Restore any disturbed land.

10.6 Otherwise mitigate the effects of Owner's failure to timely and properly construct the Infrastructure Improvements and perform the other Work.

10.7 Enforce a lien (which Owner hereby grants to City in addition to any statutory or other lien that may exist) upon all of Owner's real or personal property now or at any time hereafter at or pertaining or related to the Property or the Work.

10.8 Cause a receiver to be appointed for all or part of the Property and for the continuing performance of Owner's obligations under this Covenant.

10.9 Pay or perform, for Owner's account, in Owner's name, and at Owner's expense, any or all payments or performances required hereunder to be paid or performed by Owner.

10.10 If the Assurances are inadequate to cover the remaining Work, require Owner to increase the Assurances to cover the remaining Work and provide additional Assurances adequate in City's sole discretion to protect City, the Property, the Work and the Infrastructure Improvements.

10.11 Enforce the Assurances.

10.12 Assert, exercise or otherwise pursue at Owner's expense any and all other rights or remedies, legal or equitable, to which City may be entitled.

11. Reimbursement. Within thirty (30) days after City expends any funds to advance the Work or otherwise protect City's interests under this Covenant or Owner otherwise becomes indebted to City under this Covenant, Owner shall repay such amounts together with an administrative and management fee in the amount of fifteen percent (15%) of such funds. Any unpaid amount shall bear interest at the rate of one and five-tenths percent (1.5%) per month.

12. Miscellaneous. This Covenant is subject to the following additional provisions:

12.1 Binding Effect of Covenant. This Covenant shall be binding on and inure to the benefit of the parties to this Covenant and their heirs, personal representatives, successors and assigns. This Covenant shall run with the Property in favor of City.

12.2 Amendments. This Covenant may not be amended except by a formal writing executed by all of the parties.

12.3 Limited Severability. If any term, condition, covenant, stipulation, agreement or other provision herein contained is held to be invalid or unenforceable for any reason, the invalidity of such provision shall in no way affect any other provision herein contained. Further, this Covenant shall be deemed automatically reformed to secure to City the legal, equitable, practical and other

benefits of the provisions of this Covenant as written to the very maximum extent permitted by law.

12.4 Conflicts of Interest. No officer or employee of City shall have any direct or indirect interest in this Covenant, nor participate in any decision relating to the Covenant, that is prohibited by law.

12.5 No Partnership. This Covenant and the transactions and performances contemplated hereby shall not create any sort of partnership, joint venture or similar relationship between the parties.

12.6 Owner Not Agent of City. Owner, Owner's agents, and Owner's contractors are not agents of City in connection with the Work or otherwise.

12.7 Nonliability of City Officials and Employees. No official, representative or employee of City shall be personally liable to any party, or to any successor in interest to any party, in the event of any default or breach by City or for any amount that may become due to any party or successor, or with respect to any obligation of City or otherwise under the terms of this Covenant or related to this Covenant.

12.8 Time of Essence. Time is of the essence of each and every provision of this Covenant.

12.9 Integration. This Covenant constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior agreement, understanding, negotiation, draft agreements, discussion outlines, correspondence, memoranda and representation regarding the subject of this Covenant.

12.10 Construction. Whenever the context of this Covenant requires, the singular shall include the plural, and the masculine shall include the feminine. The terms of this Covenant were established in light of the plain meaning of this Covenant and this Covenant shall therefore be interpreted according to its plain meaning and without regard to rules of interpretation, if any, that might otherwise favor Owner.

12.11 No Third Party Beneficiaries. No person or entity shall be a third party beneficiary to this Covenant or shall have any right or cause of action hereunder. City shall have no liability to third parties for any approval of plans, Owner's construction of improvements, Owner's negligence, Owner's failure to comply with the provisions of this Covenant (including any absence or inadequacy of insurance required to be carried by Owner), or otherwise as a result of the existence of this Covenant.

12.12 Attorneys' Fees. In the event any action or suit or proceeding is brought by City to collect the amounts due or to become due hereunder or to enforce compliance with this Covenant

or for failure to observe any of the covenants of this Covenant or to vindicate or exercise any of City's rights or remedies hereunder, Owner agrees to pay City all costs of such action or suit and all expenses of such action or suit together with such sum as the court (and not a jury) may adjudge reasonable as attorneys' fees to be allowed in said suit, action or proceeding.

12.13 Choice of Law. This Covenant shall be governed by the internal laws of the State of Arizona without regard to choice of law rules. City has not waived its claims procedures as respects this Covenant. Exclusive proper venue for any action regarding this Covenant shall be Maricopa County.

12.14 Approvals and Inspections. All approvals, reviews and inspections by City under this Covenant or otherwise are for City's sole benefit and not for the benefit of Owner, its contractors, engineers or other consultants or agents, or any other person.

12.15 Recording. Within ten (10) days after the date of this Covenant, Owner shall cause this Covenant to be recorded in the office of the Maricopa County Recorder. Within ten (10) days after any amendment of this Covenant, Owner shall cause the amendment to be recorded. This Covenant shall run with the land upon the Property in favor of City.

12.16 Statutory Cancellation Right. In addition to its other rights hereunder, City shall have the rights specified in A.R.S. § 38-511.

12.17 Other Interest Holders. Owner warrants and represents that instruments in substantially the form attached to this Covenant as **Exhibit "B"** (the "Lienholder Consents") have been executed by each holder of a lien or other interest in any part of the Property whereby such persons join in this Covenant and subject and subordinate their interests to this Covenant and that Owner has attached such Lienholder Consents to this Covenant and recorded them with this Covenant.

12.18 Notices. Notices hereunder shall be given in writing personally served upon the other party or mailed by registered or certified mail, return receipt requested, postage prepaid addressed to:

If to City:	General Manager Planning and Development Services 7447 East Indian School Road, Suite 105 Scottsdale, AZ 85251
Copies to:	City Attorney City of Scottsdale

3939 North Drinkwater Boulevard
Scottsdale, AZ 85251

If to Owner:

or to such other street address within Maricopa County, Arizona as may be designated by the respective parties in writing from time to time. Notices to Owner may also be hand-delivered to the Owner's representative managing the Work or the Property. Service of notice by mail shall be deemed to be complete forty-eight (48) hours after the notice is deposited in the United States mail.

12.19 Legal Workers. Owner shall comply with laws regarding workers as follows:

12.19.1 As required by A.R.S. §41-4401, Owner warrants to City that Owner and all its subcontractors will comply with all Federal Immigration laws and regulations that relate to their employees and that Owner and all its subcontractors now comply with the E-Verify Program under A.R.S. §23-214(A).

12.19.2 A breach of this warranty by Owner or any of its subcontractors will be considered a material breach of this Covenant and may subject Owner or its subcontractor to penalties up to and including termination of this Covenant or any subcontract. Owner will take appropriate steps to assure that all subcontractors comply with the requirements of the E-Verify Program. Owner's failure to assure compliance by all subcontractors with the E-Verify Program may be considered by City a material breach of this Covenant.

12.19.3 City retains the legal right to inspect the papers of any employee of Owner or any subcontractor who works under this Covenant to ensure that they are complying with the warranty given above.

12.19.4 City may conduct random verification of Owner's and its subcontractors' employment records to ensure compliance with this warranty.

12.19.5 Owner shall indemnify, defend and hold City harmless for, from and against all losses and liabilities arising from any and all violations of these statutes.

EXECUTED as of the date first given above.

OWNER: _____, a

By: _____

Its: _____

STATE OF ARIZONA)

) SS.

County of Maricopa)

The foregoing instrument was acknowledged before me this ____ day of _____
20_____, by _____, _____ of the Owner, who is
_____, a _____, an Arizona limited liability company.

Notary Public

My Commission Expires:

APPROVED AS TO FORM BY CITY:

General Manager, Planning and Development Services

Risk Manager

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY

Bruce Washburn, City Attorney

By: _____

EXHIBIT A

Formal, engineered legal description of Property

CONSENT TO INFRASTRUCTURE IMPROVEMENTS COVENANT TO CONSTRUCT

Plan check number: _____

The undersigned, having or claiming a lien or other interest in the Property as defined in the Infrastructure Improvements Covenant to Construct (the "Covenant") to which this consent is attached hereby joins in and subjects and subordinates its interest in the Property to said Covenant and agrees that the Covenant runs with the land and binds the interests of the undersigned and its successors and assigns. The person executing this consent warrants authority to bind the undersigned.

By: _____

Its: _____

The foregoing instrument was acknowledged before me this _____ day of _____
20_____, by _____, _____ of
_____, a _____.

Notary Public

INFRASTRUCTURE IMPROVEMENTS NOTICE OF WARRANTY PERIOD

Project name: _____

Plan check number: _____

Case number: _____

City of Scottsdale, an Arizona municipal corporation gives this notice with respect to the Covenant to Construct Infrastructure Improvements (the "Covenant") made by _____, a _____, an Arizona limited liability company ("Owner"), in favor of City dated _____, 20____ and recorded _____, 20____ at document No. _____ - _____ of the public records of Maricopa County, Arizona as follows:

1. The Construction Work under the Covenant has been completed.
2. The Warranty Work under the Covenant has not been completed.
3. This notice shall not be recorded.

EXECUTED as of _____, 20____

CITY OF SCOTTSDALE, an Arizona
municipal corporation

By: _____

Its: Inspection Services Manager



CONSTRUCTION COVENANT TO CONSTRUCT AND ASSURANCE FOR SUBDIVISION INFRASTRUCTURE IMPROVEMENTS

SUBDIVISION PERFORMANCE BOND TEMPLATE

Instructions

1. The following six (6) pages contain a subdivision performance bond template.
2. Throughout the documents you will see blanks for the Principal, Surety, dollar amount, Covenant to Construct, and the Work the Principal has agreed to perform. Please enter this information. Some information may not be available at the time the draft is submitted for review; this information may be added later when the subdivision performance bond is actually issued.
3. The Surety utilized need not be located in Arizona, but must be licensed to do business in Arizona. A sample certificate of authority follows the template documents. A certificate of authority must be included with all subdivision performance bonds.
4. Submit the draft subdivision performance bond with your second submittal following Council approval of your preliminary plat.
5. As a reminder, all assurances submitted in formats other than the approved templates contained in this booklet are subject to review by the City Attorney and may not be accepted.
6. An electronic copy of this template may be requested from the case engineer.

Project name: _____

Plan check number: _____

Case number: _____

**PUBLIC IMPROVEMENTS
CONSTRUCTION BOND**

THIS PUBLIC IMPROVEMENTS CONSTRUCTION BOND (the "Bond") is made this ____ day of _____, 20__ by _____, a corporation organized under the laws of the State of _____ ("Surety") in favor of the City of Scottsdale, an Arizona municipal corporation ("Obligee").

RECITALS

A. _____, a _____ organized under the laws of the State of _____ ("Principal") is obligated to construct, or cause to be constructed, certain subdivision improvements for the project known as " _____, " as more specifically set forth in [Zoning/Subdivision] Case No: _____. To implement this obligation, Principal has entered into a Covenant to Construct Public Improvements (the "Public Improvements Agreement"), dated _____, 20__ whereby Principal has agreed to design and construct certain public improvements (the "Public Improvements") on or before the _____ day of _____, 20__ (the "Completion Date"), and render various other performances (collectively, the "Work").

B. Arizona statutes and the Scottsdale Revised Code require Principal to provide a bond or other financial assurance to protect Obligee against the failure of the Principal to timely complete the Work, and against the result of incomplete work or faulty materials or workmanship in, or other defects relating to, the Work. The Public Improvements Agreement requires Principal to furnish this Bond in the amount of _____ Dollars (\$ _____) (the "Bond Amount").

C. Obligee would not have granted the Land Approvals or allowed the Work or the Public Improvements Agreement without this Bond.

D. NOW THEREFORE, in consideration of the following, Surety hereby covenants to Obligee as follows:

1. Covenant to Construct. Surety hereby promises to Obligee that Surety will perform all of Principal's duties and obligations under the Case No. _____ and the Public Improvements Agreement, and irrevocably and unconditionally covenants to Obligee to timely perform the Work at Surety's expense if Principal does not timely so perform. The Work includes all of the Construction Work and all of the Warranty Work, as set forth in the Public Improvements Agreement, and all duly authorized modifications of the Work that may hereafter be made, notice of which modifications to the Surety being hereby waived. If Principal does so timely perform, Surety shall have no obligation under this Bond. Surety's obligation shall be as full and binding upon Surety as if the Public Improvements Agreement had been executed by Surety in favor of Obligee.

2. Reduction in Bond Amount. If the Construction Work is timely and properly completed, accepted, and paid for as required by the Public Improvements Agreement without Surety being required to perform under this Bond, then the Bond Amount shall thereafter be set at ten percent (10%) of the original Bond Amount for the Warranty Work.

3. Term of Bond. This Bond shall remain in full force and effect until one of the following has occurred:

3.1 The Work is properly completed, accepted, and paid for at no expense to Obligee, and either:

3.1.1 A new Warranty Bond or other Financial Assurance is in place, or

3.1.2 The Warranty period has expired.

3.2 Surety has paid to Obligee a cash payment in the amount of the lesser of the Bond Amount or an amount estimated by Obligee to be adequate to complete the Work.

3.3 Surety has expended cash equal to the Bond Amount to accomplish the Work.

4. Future Obligee Actions. Obligee may formally or informally alter, compromise, modify, accelerate, extend or change the time or manner for the performance of the Work or any other aspect of the Land Approvals or the Public Improvements Agreement upon such terms and at such times as Obligee deems best and without notice to Surety. None of such actions shall in any way affect, diminish, release or impair any of Surety's obligations hereunder or give Surety any recourse or defense against Obligee, regardless of any notice Obligee may or may not give to Surety.

5. Surety's Binding Covenant. Surety's obligations are subject to the following:

5.1 Surety shall keep itself fully informed about the Work and Principal's affairs. Surety waives any and all obligations of Obligee to communicate to Surety any information whatsoever regarding Principal or the progress of the Work.

5.2 Surety's obligations hereunder are joint and several with the obligations of Principal. Obligee may bring separate actions against Surety whether or not Obligee brings action against Principal or any other person, and whether or not Principal or any other person is joined in any actions.

5.3 Until the Work is completed, Surety shall have no right of subrogation and hereby waives any right to enforce any remedy that Obligee now has, or may hereafter have, against Principal, and waives any benefit of, and any right to participate in, any security now or hereafter held by Obligee.

5.4 Surety shall remain responsible to perform the Work until the Work is completed, notwithstanding any act, omission or circumstance that might otherwise operate as a legal or equitable discharge of Surety or Principal.

6. Waivers. Surety hereby waives and agrees not to assert or take advantage of any of the following:

6.1 Any right to require Obligee to proceed against or exhaust its recourse against Principal or any other person, or any security or collateral held by Obligee at any time, or to use any other remedy in its power before proceeding against Surety.

6.2 Any statute of limitations or similar defense with respect to the Public Improvements Agreement or this Bond.

6.3 Any defense that may arise by reason of (i) the incapacity, lack of authority, death, bankruptcy, receivership, or disability of Principal or others; (ii) illegality or impossibility; (iii) Obligee's failure to file or enforce a claim against Principal, its successors or others, or their estates (either in administration, bankruptcy or any other proceeding); or (iv) inability or failure to enforce in whole or in part any document mentioned in this Bond or in the Public Improvements Agreement.

6.4 Formal presentment of this Bond, demand for performance, indulgences, and other formalities of any kind whatsoever.

7. Surety's Warranties. Surety hereby warrants and represents to Obligee that:

7.1 Surety has an AM Best, Inc. rating of at least A+VII.

7.2 Surety satisfies Obligee's current standards and requirements to issue this Bond.

7.3 Surety is fully informed about the Work and all aspects of Principal's affairs that Surety deems relevant to Surety's obligations under this Agreement.

8. Miscellaneous. This Bond is subject to the following additional provisions:

8.1 Binding Effect of Bond. This Bond shall be binding on and inure to the benefit of Oblige and Surety and their successors and assigns. Surety shall give Oblige notice of any merger or assignment.

8.2 Amendments. This Bond may not be amended except by a formal writing executed by Oblige and Surety.

8.3 Limited Severability. In the event any term, condition, covenant, stipulation, agreement or other provision herein contained is held to be invalid or unenforceable for any reason, the invalidity of any such provision shall in no way affect any other provision herein contained. Further, this Bond shall be deemed automatically reformed to secure to Oblige the legal, equitable, practical and other benefits of the written provisions of this Bond to the very maximum extent permitted by law.

8.4 Time of Essence. Time is of the essence of each and every provision of this Bond.

8.5 Integration. This Bond constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any prior agreement, understanding or negotiations or discussions regarding the subject matter hereof.

8.6 Construction. Whenever the context of this Bond requires, the singular shall include the plural, and the masculine shall include the feminine. The terms of this Bond were established in light of the plain meaning of this Bond and this Bond shall therefore be interpreted according to its plain meaning and without regard to rules of interpretation, if any, that might otherwise favor Surety.

8.7 Paragraph Headings. The paragraph headings contained herein are for convenience in reference and not intended to define or limit the scope of any provision of this Bond.

8.8 No Third Party Beneficiaries. No person or entity (including Principal) shall be a third party beneficiary to this Bond or shall have any right or cause of action hereunder. Oblige shall have no liability to third parties for any approval of plans, Surety's construction of improvements, Surety's negligence, Surety's failure to comply with the provisions of this Bond (including any absence or inadequacy of insurance required to be carried by Surety), or otherwise as a result of the existence of this Bond.

8.9 Attorneys' Fees. If Obligee brings any action or suit or proceeding to enforce compliance with this Bond or for failure to observe any of the covenants of this Bond or to vindicate or exercise any of Obligee's rights or remedies hereunder, Surety shall pay Obligee all costs of such action or suit and all expenses of such action or suit together with such sum as the court (and not a jury) may adjudge reasonable as attorneys' fees to be allowed in said suit, action or proceeding.

8.10 Choice of Law. This Bond shall be governed by the internal laws of the State of Arizona without regard to choice of law rules. Obligee has not waived its claims procedures as respects this Bond. Exclusive proper venue for any action regarding this Bond shall be Maricopa County.

8.11 Statutory Cancellation Right. In addition to its other rights hereunder, Obligee shall have the rights specified in A.R.S. § 38-511.

8.12 Signatures. This Bond is effective when signed by Surety.

8.13 Notices. Notices hereunder shall be given in writing personally served upon the other party or mailed by registered or certified mail, return receipt requested, postage prepaid addressed to:

If to Obligee: Director
 Planning and Development Services
 7447 East Indian School Road, Suite 105
 Scottsdale, AZ 85251

Copies to: City Attorney
 City of Scottsdale
 3939 North Drinkwater Boulevard
 Scottsdale, AZ 85251

If to Surety:

or to such other street address within Maricopa County, Arizona as may be designated by the respective parties in writing from time to time. Service of notice by mail shall be deemed to be complete forty-eight (48) hours after the notice is deposited in the United States mail.

MADE AS OF the date first above stated.

SURETY: _____, a

By: _____
Attorney-in-Fact

BOND OFFERED BY PRINCIPAL: _____, a

By: _____

Its: _____

APPROVED AS TO FORM FOR CITY:

General Manager, Planning and Development Services

APPROVED AS TO FORM:
OFFICE OF THE CITY ATTORNEY

Bruce Washburn, City Attorney

By: _____



CONSTRUCTION COVENANT TO CONSTRUCT AND ASSURANCE FOR SUBDIVISION INFRASTRUCTURE IMPROVEMENTS

IRREVOCABLE LETTER OF CREDIT TEMPLATE

Instructions

1. The following two (2) pages contain the template for the irrevocable letter of credit and the two exhibits that are part of the approved template.
2. Throughout the document you will see where it is noted to insert the Builder's name, Bank name, letter of credit number, contact information, and the name and title of the person signing. Please insert this information where requested.
3. The irrevocable letter of credit number will probably not be available when you initially submit the draft language for review. This can be inserted later when the letter is actually issued by your financial institution.
4. Submit the draft irrevocable letter of credit with your second submittal following Council approval of your preliminary plat.
5. As a reminder, all assurances submitted in formats other than the approved templates contained in this booklet are subject to review by the City Attorney and may not be accepted.
6. An electronic copy of this template may be requested from the case engineer.

Irrevocable Letter of Credit

Date _____, 20__

Letter of Credit No.: _____

City Treasurer
City of Scottsdale
Suite 210
7447 E. Indian School Road
Scottsdale, AZ 85251

Dear Sir or Madam:

We hereby establish our clean, unconditional and irrevocable Letter of Credit in favor of the City of Scottsdale (hereinafter called "you") at the request of _____ in the aggregate amount of _____ (\$_____).

We will honor and immediately pay to you each draft presented to us in compliance with the terms of this Letter of Credit. Drafts shall be in substantially the form attached hereto as **Schedule 1**. Partial draws are permitted. Each draft must be accompanied by a copy of this Letter of Credit. Within ten (10) days after we honor your draft, you must make the original of this Letter of Credit available to us in Maricopa County, Arizona upon which we may endorse our payment. If we fail to honor any draft, we will inform you (and your counsel) of the particular reason by telephone and in writing no later than 1:00 p.m. Arizona time on the first business day following presentation of the draft. Drafts may be presented by any of the following means:

1. By email to _____

2. By hand or overnight courier service delivery to:

This Letter of Credit is valid until the first annual anniversary of its issuance and shall thereafter be automatically renewed for successive one (1) year periods, unless at least one hundred twenty (120) days prior to the expiration date we notify you in writing, by either registered or certified mail, that we elect not to renew the Letter of Credit for such additional period. If we do so notify you, then, any then unused portion of the Letter of Credit shall be available upon your presenting to us your draft on or before the then current expiration date.

We certify that we are a federally insured financial institution with offices in Maricopa County, Arizona, at which drafts upon the Letter of Credit may be presented. We further certify that we are a member of the New York Clearing House Association and have a net worth of not less than \$1 billion.

This Letter of Credit is subject to the most recent edition as of the date of this Letter of Credit of the Uniform Customs and Practices for Documentary Credits published by the International Chamber of Commerce. This Letter of Credit is not assignable.

Bank Name: _____ By: _____

Phone: _____ Name: _____

Email: _____ Its: _____

Schedule 1

Form of Draft on Letter of Credit

To: _____

From: City Treasurer
City of Scottsdale
Suite 210
7447 E. Indian School Road
Scottsdale, AZ 85253

Date: _____, 20____

Ladies and Gentlemen:

Pursuant to your Letter of Credit No. _____, the City of Scottsdale hereby demands immediate cash payment in the amount of _____
(\$_____).

Please make your payment to the City of Scottsdale in the form of a wire deposit to:

If such deposit cannot be accomplished immediately for any reason, please make your payment in the form of a cashier's check issued by your institution and hand-delivered, or delivered by registered mail, to me at the address listed above.

I certify that I am the City Treasurer of the City of Scottsdale.

If there is any imperfection or defect in this draft or its presentation, or you do not for any reason completely promptly pay the entire amount herein requested, please inform me of the reason immediately at _____ and in writing at the address given above so that I can correct any issue that may exist. Also, please immediately notify the City Attorney at 480-312-2405 and in writing at 3939 N. Drinkwater Boulevard, Scottsdale, AZ 85251.

Thank you.

City Treasurer, City of Scottsdale

SAMPLE CERTIFICATES OF AUTHORITY

Sample 1

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

THIS IS TO CERTIFY, THAT THIS
INSTRUMENT IS A FULL, TRUE AND
CORRECT COPY OF THE ORIGINAL ON
FILE WITH THE DEPARTMENT OF
INSURANCE OF THE STATE OF ARIZONA
AND CONSISTS OF 1 PAGE(S).

HEREUNTO SET MY HAND AND THE OFFICIAL SEAL OF THIS DEPARTMENT

FOR THE DIRECTOR OF INSURANCE THIS 4th DAY OF May, 2006



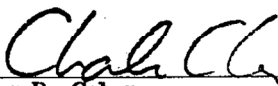
Ron M. Hall
AUTHORIZED REPRESENTATIVE

224242

CERTIFICATE NO.:



Sample 2

STATE OF			ARIZONA
DEPARTMENT OF INSURANCE CERTIFICATE OF AUTHORITY			
I, CHARLES R. COHEN , Acting Director of Insurance of the State of Arizona, do hereby certify that			
THE HANOVER INSURANCE COMPANY Domiciled in New Hampshire NAIC NO. 22292			
is hereby authorized, subject to the provisions thereof and the Charter Powers of said Company, to transact the business of:			
CASUALTY WITHOUT WORKERS' COMPENSATION DISABILITY MARINE AND TRANSPORTATION PROPERTY SURETY VEHICLE			
insurance within the State of Arizona until terminated at the request of the insurer or suspended or revoked by the Director of Insurance.			
Arizona Revised Statutes § 20-217 (C) states:			
<i>A Certificate of Authority remains the property of the State of Arizona. Upon termination at the request of the insurer or revocation by the Director of Insurance, the insurer shall immediately deliver the Certificate of Authority to the Director of Insurance.</i>			
In TESTIMONY WHEREOF , I have hereunto set my hand and affixed the official seal of the Director of Insurance at the City of Phoenix. The effective date of this Certificate is October 13, 1998.			
		 Charles R. Cohen Acting Director of Insurance	
E146 (01/97)		001089	

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